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RUEHLZ RUEHPOD RUEHROV RUEHSR RUEHVK RUEHYG  
DE RUEHTI #0287/01 1021622  
ZNR UUUUU ZZH  
R 111622Z APR 08  
FM AMEMBASSY TIRANA  
TO RUEHC/SECSTATE WASHDC 6967  
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE  
RUEAWJA/DEPT OF JUSTICE WASHDC

UNCLAS SECTION 01 OF 02 TIRANA 000287

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E.O. 12958: N/A  
TAGS: [PGOV](#) [PREL](#) [ECON](#) [AL](#)

SUBJECT: THIS WEEK IN ALBANIA, APRIL 5-11, 2008

11. (U) The following is a weekly report prepared by Embassy Tirana's local staff to provide political and economic context and insight into developments in Albania.

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POLITICAL DEVELOPMENTS  
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12. (SBU) TIME FOR A CHANGE: The Albanian Parliamentary Commission on Laws discussed this week proposed changes to the Constitution that, if approved, would fundamentally change the country's political system. These would be the first major changes since its 1998 inception. Long-awaited electoral reform is on the table, including the move to a regional-proportional system from the current majority-based system. This action continues to be strongly opposed by the smaller political parties, the majority of which have no hope of reaching the new threshold of support such a system would introduce for parliamentary representation. These small parties have survived to date through the political patronage of the two major parties as they have no independent base of support. The two larger parties have reportedly agreed to reduce the number of political parties, currently 12, to around four to six, claiming it would increase political stability and improve the professionalism and capability of the Albanian Parliament. Proposed reforms also aim to introduce a non-political electoral administration agency since the work of the current Central Elections Committee has often been bogged down by political disagreements.

13. (U) In addition to amendments on electoral reform, however, which have been coordinated with the largest opposition Socialist Party (SP), the ruling Democratic Party (DP) has put forward other proposals that would streamline the parliamentary election of the president, including rules that would make it more likely that a president would be chosen without dissolution of Parliament or early elections. (The Parliament only narrowly avoided early elections last July, successfully appointing Topi in the fifth round of voting.) Another amendment would change the provisions regulating the parliamentary vote of confidence, requiring early elections if the Prime Minister fails the motion. In this way MPs would have to think twice before deciding to bring a government down, as doing so would increase the risk they could lose their own seats. A third proposal, under which Presidential decrees would only take effect with a counter signature from the Prime Minister, has already met significant opposition as it would further curb the President's already limited powers. All of these proposals will be debated further, but it seems clear that significant constitutional changes are in the offing.

14. (U) KEEPING GERDEC IN THE PUBLIC EYE: Rumors continued to swirl through Tirana regarding alleged government involvement in the

explosion at Gerdec ammunition depot on March 15, which killed 24 and wounded 300. Albania's second largest television station, pro-government TV Klan, aired an episode called "They Knew," presenting what it claims are classified official documents which, if authentic, would contradict PM Berisha's previous statement to Parliament that he had "no knowledge of Gerdec." Several newspapers picked up the story later in the week, keeping the issue alive and in the public forum. A game of subtle finger pointing ensued as the Ministry of Defense issued a press release refuting the PM's knowledge of evidence presented in the media, while not exonerating the office of the President. The opposition also continues to keep the Gerdec tragedy in the public eye, with leader Edi Rama calling for a "clarification" this week from the PM on these allegations. The media and the opposition have kept the issue alive as the official government investigation remains ongoing.

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ECONOMIC DEVELOPMENTS  
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15. (U) INFLATION RISING: Albania's inflation rate hit 4.6 percent year in March, up from 3.6 percent in February and just 2.7 percent one year ago in March 2007, according to the state statistics office, INSTAT. This leap, the highest in the last six years, is largely due to surging food and fuel prices. Another major factor is the rise in electricity price, which took effect March 1. This is the second time in six months that the inflation rate exceeded the Central Bank's limit of 4 percent; however, the IMF predicts an average inflation rate of 4.2 percent in 2008 for Albania.

16. (U) Albania has not been immune to the effects of the recent global economic downturn, beginning in particular last summer, with a spike in food prices that caught the attention of policymakers and civil society in addition to average citizens. Since then, the free float exchange rate and the recent valuation of the domestic currency against the dollar has partially absorbed rising prices.

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The government has downplayed current inflation rates claiming the effects are a boomerang of international economic problems rather than a result of this government's fiscal policy. There are, however, possible domestic causes for higher prices, including the rapid increase in the number of consumer and business loans and the expansion of publicly funded projects. The Central Bank is engaged in an inflation targeting regime, raising the interest rate twice last year, a fiscal instrument expected to be used again. As pressure increases on the domestic economy, the government should react more promptly to assist the most vulnerable strata of the population, whose most immediate problem is the price of putting food on the table.

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THIS WEEK IN ARTS AND CULTURE  
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17. (U) ICON EXHIBIT IN TIRANA: The National Gallery of Art opened an exhibition this week on the restoration of icons from the Museum of Art in Korca. The Gallery features photos of some of the 80 icons recently restored at the Museum of Byzantine Culture in Thessaloniki, Greece, a project funded by the European Center for Byzantine and Post-Byzantine Cultural Monuments, along with an exhibit explaining the restoration process. This supplements the Gallery's substantial permanent collection of icons by painters such as Onufri Qiprioti, Joan Cetiri, and Konstandin Jermonaku to name a few. Albania's icons are among the finest of the Byzantine era, including not only the collections in Tirana and Korca, but also the Onufri Museum in the ancient city of Berat.

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QUOTE OF THE WEEK  
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18. (U) "Without [NATO membership], Macedonia will remain an unintegrated island -- and that does not benefit anyone. But I am optimistic that a solution will be found." PM Berisha, in an April 10 interview with BBC's Hard Talk.

WITHERS